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vice

Department of the Treasury

1100 Commerce Street
Dallas, Texas 75242

Employer Identification Number:
[REDACTED]

Person to Contact:
[REDACTED]

Telephone Number:
[REDACTED]

Refer Reply to:
[REDACTED]

Date:

NOV 4 1967

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(5) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of [REDACTED]

Your purpose as stated in your Articles of Incorporation is the operation of a cattle [REDACTED] not for pecuniary profit.

According to the information submitted, your activities primarily consist of operating a livestock [REDACTED] for the benefit of your members. The [REDACTED] gives members the opportunity to [REDACTED] their livestock before having it shipped directly to a buyer without having to sell their livestock at a sales ring. This results in the members receiving higher prices for their livestock that is sold.

Membership in the organization is opened to anyone wishing to join. There is a one time fee of \$[REDACTED]. Members are charged a user fee to [REDACTED]. The fee consist of [REDACTED] dollar per head for cattle and [REDACTED] cents per head for sheep or hogs.

Section 501(c)(5) of the Code provides for the exemption from Federal income tax of agricultural organizations.

Section 1.501(c)(5)-1 of the Income Tax Regulations states that the organizations contemplated by Section 501(c)(5) of the Code as those organizations which have no net earnings inuring to the benefit of any member and have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products and the development of a higher degree of efficiency in their respective occupations.

Agricultural organizations are those connected with raising livestock, forestry and raising crops, the cultivation of useful or ornamental plants and similar pursuits.

Revenue Ruling 77-153, 1977-1 C.B. 147, holds that a nonprofit organization that owns and operates a livestock facility and leases it to local members of a nonexempt national association of farmers for use in implementing the association's collective bargaining program with processors does not qualify for exemption as an agricultural organization.

In the case of your organization, the primary activity is providing the service of [REDACTED] for your members in order for them to receive higher prices for their livestock. This service benefits the individual members and is not improving the conditions of those engaged in agricultural pursuits or improving the grade of their products and the development of a higher degree of efficiency in their respective occupations.

It is our determination that you are not entitled to exemption as an agricultural organization under Section 501(c)(5) of the Code of 1986. Accordingly, you are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 6018.

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

Ellen Murphy
Ellen Murphy
Acting District Director

Enclosures:
Publication 892
Form 6018